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SUBJECT: AUSTRIAN VIEWS ON DEVELOPMENT: DEVELOPMENT ISSUES

AT THE HLE AND INNOVATIVE SOURCES FOR FINANCING DEVELOPMENT

REF: A) STATE 162146 B) STATE 160880

[¶1.](#) (U) Econ Unit Chief delivered ref A and B talking points to Thomas Nader, Director (A/S-level) of the MFA's Multilateral Development Cooperation Division on September 6 and to Thomas Wieser, Director General (U/S-level) of the Ministry of Finance's Economic Policy and Financial Markets Directorate on September 8. Post also conveyed the USG position on the declaration on innovative financing (ref A) to Elisabeth Udoof-Strobl, Director General of the Ministry of Economy's Tourism and Historical Sites Directorate; Manfred Bialonczyk, Head of the Ministry of Transportation's Aviation and Navigation Division; and Anna Maria Hochhauser, Secretary General of the Austrian Chamber of Commerce.

Development Issues in the UN High Level General Assembly

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[¶12.](#) (SBU) Nader said the GoA supported the USG on the substance of the three structural changes to the development chapter: acknowledging the efforts and achievements since the Millennium Summit and Monterey Conference; recognizing the multifaceted contributions to development assistance, especially trade and FDI; and elaborating governance issues more prominently in the development chapter. However, from a procedural standpoint, Nader questioned whether pushing for modifications "at such a late date" might not encounter resistance from certain G-77 members and encourage others to put forward more frivolous and controversial changes.

Declaration on Innovative Sources of Financing

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[¶13.](#) (SBU) Both Nader and Wieser stated that Austria had not yet decided whether to support the declaration, because Austria agreed with some parts of the declaration, e.g., a reference to ODA targets, but it would not endorse an international finance facility (IFF). Nader regretted that Spain, France, and Germany had not consulted with other EU Member States before launching this initiative.

[¶14.](#) (SBU) ODA Targets: Nader noted that Member States had affirmed their commitment to reach an ODA level of 0.7% of GDP by 2015, so re-affirming this target would be perfectly acceptable. Nader and Wieser noted that current ODA levels were not sufficient to achieve the Millennium Development

goals. Innovative financing sources for ODA were necessary, but donors should concurrently increase and maximize the benefits of non-ODA sources of assistance, such as trade liberalization and FDI.

15. (SBU) Airline Tax: Wieser maintained that the effects of a small airline tax on consumers and the airline industry would be marginal. Austria could support such a tax, but only if it were universally mandatory, and would thus not distort competition. Wieser admitted that there were widely varying views within the EU on whether and how to implement an airline tax. Wieser noted that Chancellor Schuessl had suggested earlier this summer, in order to provoke a discussion, that the EU could earmark some of the proceeds from an airline tax for the EU's general budget revenues, as well as for ODA. On September 9, Finance Minister Karl-Heinz Grasser publicly stated Austria's opposition to a voluntary airline tax, noting that it would have a negative impact on passengers and airlines.

16. (SBU) IFF: Wieser and Nader were adamant that Austria would not participate in any IFF development schemes. Wieser noted that the proposed IFF scheme might effect a decline in ODA in out-years, as governments pay back the IFF bonds from their assistance budgets. Moreover, according to Wieser, the IFF scheme could crowd out other forms of assistance, e.g., trade, and there are legitimate concerns about the absorptive capacities of some developing countries. Wieser added that Austria, like the U.S., did not want to pay for current development assistance out of future aid budgets.

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